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CIA HISTORICAL REVIEW PROGRAM
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(Revision)

Recommended Changes in Paragraphs VIII and IX (Pages I-129 - I-133)
of the Director's Briefing Book

13 Nov 68

VIII. The USSR, despite domestic resource allocation difficulties, has continued to dispense and make new commitments of aid -- both economic and military -- to its Communist allies as well as to the Free World less developed countries.

A. Total Soviet deliveries of economic aid this year amount to about \$800 million -- up about \$100 million from 1967. Communist countries -- Cuba and North Vietnam -- account for the bulk of these deliveries (about \$500 million) with the Free World countries receiving about \$300 million.

B. New economic aid commitments in 1968 amount to about \$1.1 billion, up about \$600 million over 1967, yet well below the record total of \$1.8 billion in 1966. Aid commitments to the Free World, which accounted for some 70 percent of the total in 1966 and only 30 percent of the total in 1968, have frequently fluctuated widely from year to year. We do not believe that the recent fluctuations evidence any fundamental policy change in Soviet foreign aid.

C. Total Soviet military aid deliveries in 1968 amount to about \$800 million, down about \$200 million from 1967. Deliveries to North Vietnam were about the same as in 1967 -- about \$500 million -- and account for almost all of Soviet military aid shipments to the

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Communist countries in 1968. (I shall go into more detail concerning Communist aid to North Vietnam when I deal specifically with the war in Vietnam). Military aid deliveries to Cuba declined to a negligible level in 1968. The USSR's arms deliveries to its Free World aid clients have declined somewhat in recent years and in 1968 amount to some \$300 million. Two-thirds of this year's deliveries to the Free World are to the Arab countries. (I will discuss the Arab arms resupply situation later on).

(CHART, SOVIET FOREIGN AID ACTIVITY IN THE FREE WORLD)

IX. At this point, I would like to discuss in more detail some of the aspects of Soviet economic and military aid in recent years.

A. Record economic aid extensions of \$1.3 billion ^{in 1966 largely} were attributed to very large credits to a few countries. More than \$500 million of the total went to support India's five year plan. Sizeable credits also went to Iran, Syria, and Brazil.

B. In 1967, extensions of economic aid dropped sharply, to about \$90 million, and recovered to only about \$300 million in 1968. This is only about half of the average annual amount extended in the preceding 8 years. The reduced level of new aid undertakings in 1967 and 1968 does not signal a fundamental change in Soviet policy but apparently reflects the lack of suitable opportunities for new aid extensions and the large backlog of unexpended credits. At the end of 1967 there was about \$3.5 billion of Soviet aid still to be delivered under aid extended in previous years.

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C. The Soviets in recent years have been getting a bit tougher with their economic aid.

1. They are being more selective with the kinds of projects undertaken, so as to ensure a greater degree of success.

2. Terms of the credits are becoming more trade-oriented and often are harder -- 5 to 10 years for repayment instead of the customary 12, and an interest rate of 3 to 3.5 percent, instead of 2.5 percent. Occasionally down payments are required, and repayments sometimes must be made partly in hard currency.

D. Extensions of Soviet military aid have fluctuated widely from year to year, reaching a record of almost \$1 billion in 1964. The annual average over the past decade, however, has been about \$450 million.

1. The \$535 million of military aid extended in 1967 reflected the heavy Soviet resupply operations in the UAR, Iraq and Syria following the Arab-Israeli war in June. New aid extended to these 3 countries accounted for almost 60 percent of the total. Earlier in the year, an arms agreement was signed with Iran, the first one Iran had signed with a Communist country. Agreements also were concluded with Nigeria and Yemen, and military goods were airlifted to these countries.

2. Military aid agreements have been concluded with at least 9 countries during 1968. The total value of these agreements -- some \$300 million -- is roughly three-fifths of the total committed in 1967.

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E. Soviet deliveries of military equipment declined in 1968 as supply to Arab countries assumed a more normal rate.

1. With the near completion of resupply, Soviet deliveries to the Arab states have fallen off and now approximate the pre-war rate.

2. Soviet deliveries to other major arms customers this year include significantly larger amounts to India (principally SU-7 fighter bombers) and small shipments to both Algeria and Afghanistan.

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